

4. (a) (i) State *two* reasons why a multinational corporation (MNC) may wish to invest in an economically less developed country (LDC). [2 marks]

Level		Marks
0	<i>The work does not reach a standard described by the descriptors below.</i>	0
1	<i>There is limited understanding.</i> One correct reason should be awarded [1 mark].	1
2	<i>There is clear understanding.</i> Two correct reasons should be awarded [2 marks].	2

Possible reasons:

- to gain access to new markets
- to cut costs by avoiding the need to comply with legislation which exists in the domestic economy
- to gain access to resources
- to avoid import duties by producing in the target market
- to gain access to cheaper labour and raw materials than in the domestic economy.

Any reasonable response.

- (ii) Define the term *multinational corporations (MNCs)* indicated in bold in the text (paragraph 1). [2 marks]

Level		Marks
0	<i>The work does not reach a standard described by the descriptors below.</i>	0
1	<i>Vague definition.</i> The idea that they are firms that operate abroad.	1
2	<i>Accurate definition.</i> An explanation that they are firms that produce goods and/or services in more than one country.	2

- (b) **With the aid of a diagram, explain the likely impact on Zambia’s economic growth of the fall in copper prices from US\$ 9000 to US\$ 3000 per tonne (paragraph 2).**

[4 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>There is a correct diagram or an accurate written response.</i> For drawing a clearly labelled AD/AS diagram to show a fall in aggregate demand resulting from lower export receipts, causing real GDP to decrease OR for explaining that the fall in copper prices will adversely affect export receipts, thus reducing aggregate demand and hence having a negative effect on Zambia’s economic growth.	1–2
2 <i>There is a correct diagram and an accurate written response.</i> For drawing a clearly labelled AD/AS diagram to show a fall in aggregate demand resulting from lower export receipts, causing real GDP to decrease and for explaining that the fall in copper prices will adversely affect export receipts, thus reducing aggregate demand and hence having a negative effect on Zambia’s economic growth.	3–4

Candidates who incorrectly label diagrams can be rewarded with a maximum of [3 marks].

- (c) With the aid of a diagram, explain how mining in Africa can create externalities of production. [4 marks]

Level		Marks
0	<i>The work does not reach a standard described by the descriptors below.</i>	0
1	<p><i>There is a correct diagram or an accurate written response.</i></p> <p>For drawing a clearly labelled market diagram showing a negative externality of production, with the marginal social cost curve above the marginal private cost curve OR for explaining that mining leads to negative externalities of production, such as damage to the environment or to water supply, which are not felt by producers or consumers of the product, but by third parties such as local residents. The negative externalities mean that social costs are higher than private costs.</p>	1–2
2	<p><i>There is a correct diagram and an accurate written response.</i></p> <p>For drawing a clearly labelled market diagram showing a negative externality of production, with the marginal social cost curve above the marginal private cost curve AND for explaining that mining leads to negative externalities of production, such as damage to the environment or to water supply, which are not felt by producers or consumers of the product, but by third parties such as local residents. The negative externalities mean that social costs are higher than private costs.</p>	3–4

Candidates who incorrectly label diagrams can be rewarded with a maximum of [3 marks].

- (d) Using information from the text/data and your knowledge of economics, discuss the contribution made by multinational corporations (MNCs) to the economic development of mineral-rich countries (*paragraph 1*). [8 marks]

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.

Do not award beyond Level 2 if the answer does not contain reference to the information provided.

Level		Marks
0	The work does not reach a standard described by the descriptors below.	0
1	Few relevant concepts are recognized. There is basic knowledge/understanding.	1–2
2	Relevant concepts are recognized and developed in reasonable depth. There is clear knowledge/understanding. There is some attempt at application/analysis.	3–5
3	Relevant concepts are recognized and developed in reasonable depth. There is clear knowledge/understanding. There is effective application/analysis. There is synthesis/evaluation, supported by appropriate theory and evidence.	6–8

Command term

“Discuss” requires candidates to offer a considered and balanced review that includes a range of arguments, factors or hypotheses. Opinions or conclusions should be presented clearly and supported by appropriate evidence.

Responses may include:

- recognition of the term economic development.

Advantages/benefits:

- export receipts from mining
- greater tax revenues to the government
- the possibility of employment for domestic workers
- increased national income via the multiplier effect
- technology and skills transfer
- the above should be linked to development.

Disadvantages/costs:

- tax revenues might not be high due to huge tax benefits (*paragraph ①*)
- MNCs cut back on investment in times of recession (*paragraph ②*)
- profits may be repatriated (*paragraph ③*)
- governments may receive revenues from MNCs and waste them (*paragraph ③*)
- pollution may result from mining operations (*paragraph ③*)
- the land may be scarred by mining (*paragraph ④*)
- MNCs may exert undue influence on the government of the host country
- damaging consequences of a deterioration in the terms of trade (*paragraph ②*).

Any reasonable discussion.
